RESOLUTION NO. 1-2005

Adopted January 18, 2005

AUTHORIZING A FIRST AMENDMENT TO THE TAX INCREMENT LOAN AGREEMENT WITH MERCY HOUSING CALIFORNIA XIV, A CALIFORNIA LIMITED PARTNERSHIP, TO REVISE THE SCHEDULE OF PERFORMANCE FOR THE DEVELOPMENT OF APPROXIMATELY 126 VERY LOW INCOME FAMILY RENTAL UNITS, AND ONE MANAGER’S UNIT, AT 10TH AND MISSION STREETS, BLOCK 3508, LOTS 51, 26 AND 27; MID-MARKET REDEVELOPMENT SURVEY AREA

BASIS FOR RESOLUTION

1. The Redevelopment Agency of the City and County of San Francisco (the “Agency”) is authorized pursuant to California Community Redevelopment Law (Health and Safety Code, Section 33000 et seq.), and desires to distribute monies from its Tax Increment Affordable Housing Fund to nonprofit developers and sponsors for the specific and special purpose of increasing and maintaining the housing stock in the City and County of San Francisco for very low, low, and moderate income households.

2. Mercy Housing California XIV, a California limited partnership (“Developer”) with Mercy Housing West, a California nonprofit public benefit corporation, as its general partner intends to develop the underutilized real property located at 10th and Mission Streets, Block 3508, Lots 51, 26 and 27, San Francisco, California (the “Site”) in the Mid-Market Redevelopment Survey Area (the “Survey Area”). The Developer, which together with Mercy Housing, Inc., a Nebraska not-for-profit corporation, has entered into a ground lease with an option to purchase the Site (the “Ground Lease”) with the current owner of the Site, VILO Properties, Inc., a California corporation, and Victor Honig and Lorraine Honig, as Trustees of the Honig 1986 Family Trust (collectively, the “Owner”). Under the Ground Lease the Developer is the holder of the option to purchase the Site. The Ground Lease requires the Developer to provide the Owner with 12 months notice of intention to purchase the Site. Such notice was given on March 17, 2004.

3. On March 16, 2004 the Agency Commission approved a loan in an amount not to exceed SEVEN MILLION EIGHT HUNDRED SIXTY-FIVE THOUSAND NINE HUNDRED FIFTY-FIVE AND NO/100 DOLLARS ($7,865,955.00) under the Tax Increment Affordable Housing Fund (the “Loan”) to the Developer and a grant in an amount not to exceed THREE MILLION FIVE HUNDRED SEVENTY-TWO THOUSAND TWO HUNDRED FOURTEEN AND NO/100 DOLLARS ($3,572,214.00) to Mercy Housing California, a California nonprofit public benefit corporation (“MHC”), which is an affiliate of the Developer, for the
holding costs and acquisition of the Site, and predevelopment activities related to the development of family and senior affordable housing projects on the Site.

4. The Loan is for the acquisition, holding and predevelopment of 126 units of affordable family housing on a portion of the Site (the "Family Project"). The Developer is the recipient of the loan, because the projected financing for the Family Project includes Low Income Housing Tax Credits, which can only be allocated to a limited partnership. The Grant is for the acquisition, holding costs and predevelopment of 103 affordable housing units for very low-income seniors (62 years or older) who are at or below 50 percent of Area Median Income, per the U.S. Department of Housing and Urban Development ("HUD") Section 202 project guidelines and one manager's unit on the remaining portion of the Site (the "Senior Project", which together with the Family Project is the "Project"), and MHC is the recipient of the grant for the affordable senior housing.

5. Two actions were required to reconfigure the existing parcels to conform to parcels appropriate for the Project: (1) apply to the San Francisco Department of Public Works ("SFDPW") for a "Lot Unmerge" per Article 1.7 of the Subdivision Map Act to remove portion of existing Lot 13, that is not subject to the Ground Lease; and, (2) apply for a "Lot Line Adjustment" and "Lot Merge" with SFDPW to move one property line (the westerly line of Lot 27) such that the combined Lots 26 and 27 is the size necessary to accommodate the Family Project and the remainder Lot (new Lot 51) is the size necessary to accommodate the Senior Project.

6. The "Lot Unmerge" action was completed on July 19, 2004 and new Lots 51 and 52 were created. (Lot 51 is the portion of former Lot 13 that is to be used for the Senior Project; Lot 52 is not now nor ever was subject to the Loan or Grant Agreements). The estimated completion date for the "Lot Line Adjustment" and "Lot Merge" is April, 2006. It is anticipated that the Agency will take ownership of the Site before construction starts and enter into two ground leases; one with the Developer for the land that the Family Project will be built on, and one with MHC for the land on which the Senior Project will be built.

7. Since the Grant and Loan were approved, the Developer has met the initial goals for receiving entitlements from the City and County of San Francisco Planning Department ("Planning Department") for both the Family Project and the Senior Project and have presented the proposed design for both projects to Agency Architecture staff and the Mid-Market Redevelopment Survey Area Project Area Committee ("PAC"). The Developer has also held three community meetings.

8. Based on the design review process including Agency staff, Planning Department staff, PAC members, and community input the Developer has begun a redesign of the Family Project and the Senior Project that will increase the height and open space for both projects to better serve the residents and meet the Design Guidelines for the Survey Area. Redesign will require re-approval of entitlements from the Planning Department.
9. Due to the additional time needed for the redesign process, it is necessary to revise the Schedule of Performance attached to the Loan Agreement accordingly.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into a First Amendment to the Tax Increment Loan Agreement with Mercy Housing California, XIV a California limited partnership, to revise the Schedule of Performance for the development of approximately 126 very low income family rental units, and one manager’s unit, at 10th and Mission Streets, Block 3508, Lots 51, 26 and 27; Mid-Market Redevelopment Survey Area, substantially in the form lodged with the Agency General Counsel.

APPROVED AS TO FORM:

[Signature]

James B. Morales
Agency General Counsel